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CENTRAL INTELLIGENCE BULLETIN

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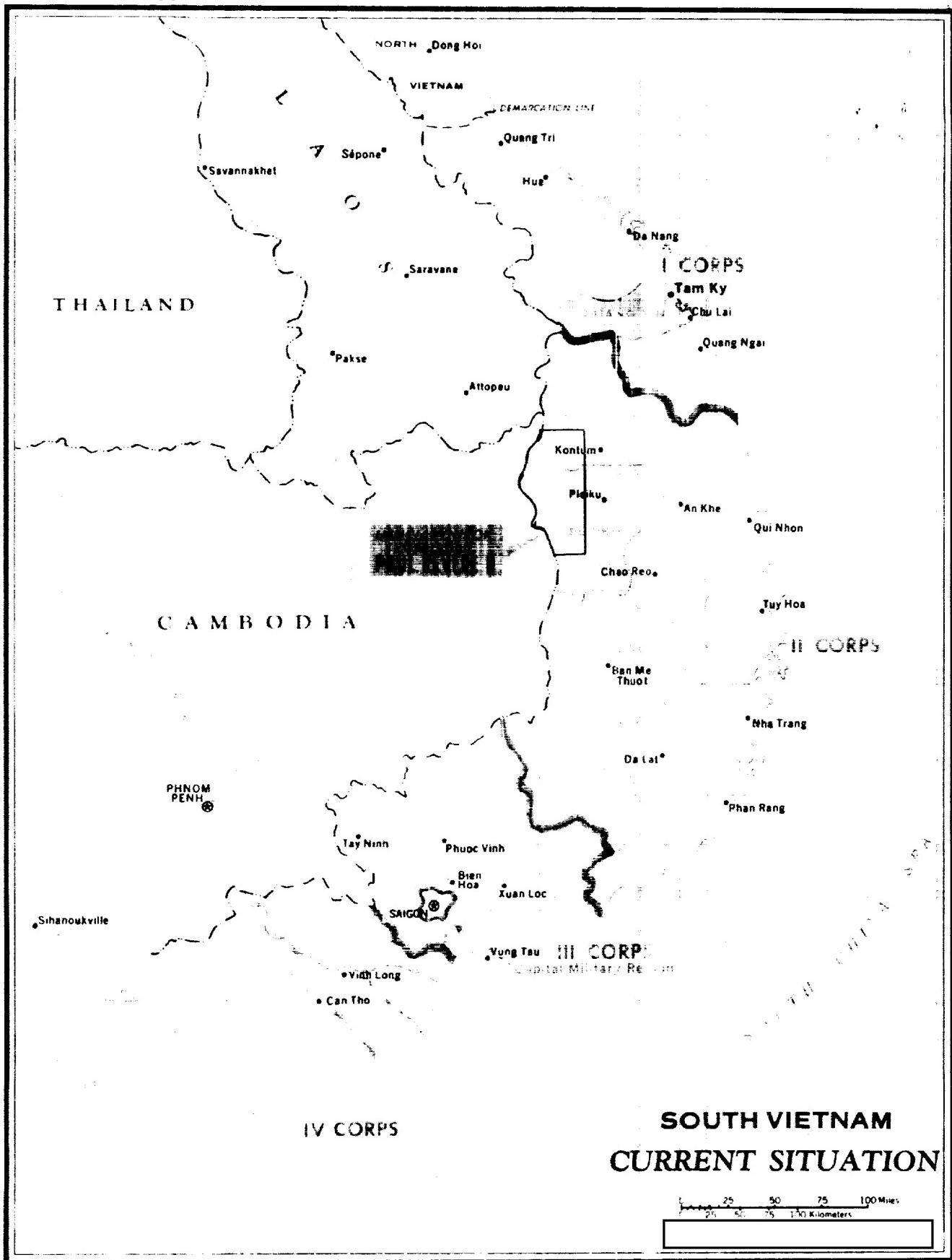
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*Vietnam: (Information as of 4:30 AM EDT)

The Military Situation in South Vietnam: Sharp fighting continues in the central highlands.

In Pleiku Province, sporadic contact continues to be reported near the Cambodian border where Allied troops are conducting Operation PAUL REVERE II. South Korean troops, supported by US armored units and artillery, killed 170 Communist troops in a six-hour engagement on 9 August, according to recently received reports. Korean casualties were seven killed and 43 wounded. (See Map)

Toward the coast in Quang Tin Province, a US Marine battalion encountered heavy resistance from a well-entrenched enemy force on 10 August while sweeping an area some five miles west of Tam Ky, the province capital. Initial US casualties are 15 killed and 78 wounded. Viet Cong losses are not known, but may be as high as 150 killed. (See Map)

Political Developments in South Vietnam: Premier Ky yesterday commenced a three-day official tour of the Philippine Republic.

When questioned by reporters about his recent statements in South Vietnam that the war could be won only by invading North Vietnam, Ky replied that as a military man he would prefer this quicker solution, but that there was another alternative.

The second alternative, to which he said he did not object, involved winning by "carrying out a true social revolution in the South to build a free and prosperous South Vietnam." The key to this latter solution was,

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he indicated, having "enough patience to spend four or five years more" in settling the conflict.

Ky also said that he welcomed the Philippine "peace initiative" to end the war in South Vietnam through a conference of Asian nations, and hoped to discuss it with President Marcos during his stay in the republic.

Developments in North Vietnam: The difficulties faced by the Hanoi regime in implementing its program of evacuating a large portion of the urban population and of creating some semblance of normal life among the displaced people were highlighted in a 7 August editorial in the party daily.

Probably reflecting problems encountered in previous evacuation attempts, the editorial insisted that the current evacuation must be "positively planned and closely led." It hinted at trouble among those who have already been regrouped from the cities by calling for the development of a spirit "of overcoming difficulty" and "of unity and mutual assistance."

The editorial declared that the government has set aside "a great amount of money" to help the evacuees and urged the service sector of the government--health, postal service and trade offices--to prepare plans to take care of the evacuated population. It pointed out also that the evacuation "must be of a lasting character" and directed the evacuees to "immediately engage in production and work" and adapt themselves to the new life.

Only persons "truly necessary" for production and air defense are to remain in industrial cities, according to the editorial. It asserted that civil defense measures such as air raid shelter construction is, at present, more important even than production. The paper urged the people to "shed much sweat in this task in order to spare blood in combat." The editorial closed by blandly assuring the population that the evacuation and the development of air raid shelters would better enable them to score victories over the US. [redacted]

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USSR-Brazil: Moscow has taken a significant step to bolster its lagging trade with Brazil.

The USSR in conjunction with the signing of the 1966 trade protocol with Brazil, has granted an eight-year, \$100-million credit at four percent to cover Brazilian purchases of Soviet machinery and equipment. The USSR will accept up to a fourth of the value of repayment in Brazilian manufactures--and thus provide a market that Brazil has been eager to enter. Soviet-Brazilian trade--heretofore essentially the exchange of petroleum for coffee, cocoa, and cotton--has been at a rate of about \$65-70 million annually in recent years.

The new agreement apparently is the culmination of a thorough joint review of Soviet-Brazilian economic relations which began late last year when Brazil's planning minister visited Moscow and rejected a Soviet offer of substantial project aid.

Moscow is expected to enter into an arrangement with Chile similar to the Brazilian agreement.

Moscow's granting of favorable trade terms to enhance its influence in Latin America is likely to irritate Havana. Castro, in his speech of 26 July, or diding warned the socialist camp against "flirting" or trading with the [independent] government in Chile. [redacted]

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NOTES

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Congo (Brazzaville): Another test of strength between the radical Brazzaville regime and dissident army elements may be in the offing.

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[redacted] these elements fear a move to disarm them and have rejected an order to parade unarmed in independence day celebrations next week. They have begun sending their families out of Brazzaville in anticipation of trouble. If a confrontation develops, President Massamba-Debat will probably rely again on his Cuban guard, which stood by the regime during the army mutiny last June.

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Brazil: The decision by the opposition Brazilian Democratic Movement (MDB) not to run a candidate in the 3 October presidential election virtually assures that the government's candidate, Arthur Costa e Silva, will become Brazil's next president. As the only legal opposition party, the MDB is the only party that could have challenged Costa e Silva. MDB leaders have also recommended that the party's state leaders abstain from the gubernatorial elections to be held in 12 of the 22 states on 3 September. MDB candidates will run, however, in the important 15 November congressional races.

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The Scientific Adviser to the President

The Director of the Budget

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

The Treasury Department

The Secretary of the Treasury

The Under Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

The Chairman, The Joint Chiefs of Staff

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Chief of Staff, United States Army

Commandant, United States Marine Corps

U. S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

Commander in Chief, Atlantic

The Director, Defense Intelligence Agency

The Director, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Department of Justice

The Attorney General

The Federal Bureau of Investigation

The Director

National Aeronautics and Space Administration

The Administrator

The Atomic Energy Commission

The Chairman

The National Security Agency

The Director

The United States Information Agency

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The National Indications Center

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